

**WATER/SNR/TAC/AJT:jlj**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**WATER DIVISION**

**RESOLUTION W-4362**

**November 7, 2002**

**R E S O L U T I O N**

**(RES. W-4362), INTERSTATE 5 UTILITY COMPANY, INC.  
(WATER) (I-5WC). ORDER AUTHORIZING AN INTERIM  
GENERAL RATE INCREASE SUBJECT TO REFUND,  
PRODUCING ADDITIONAL GROSS ANNUAL REVENUE OF  
\$12,096 (27.24%).**

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**SUMMARY**

This Resolution grants I-5WC, a Class D water utility, an interim increase in gross annual revenue of \$12,096, subject to refund. The increase will provide I-5WC with no rate of return on its rate base, but with sufficient monies to pay its current cash operating expenses.

By Draft Advice Letter filed June 17, 2002, I-5WC requests authority under Section VI of General Order (G.O.) No. 96-A and Section 454 of the Public Utilities (P.U.) Code to increase rates by \$17,775 or 40%, in the year 2002.

The Water Division has received no protests.

**BACKGROUND**

I-5WC presently provides service to approximately 18 metered customers in a service area, which is located approximately 23 miles west of the City of Bakersfield. I-5WC's service area consists of the unincorporated Kern County area near Buttonwillow at the intersection of Interstate Route 5 and State Route 58. I-5WC also owns I-5 Sewer System (also Commission-regulated.)

Pursuant to its 2001 Annual Report, I-5WC reported that it generated total operating revenues of \$44,410, with a net loss of \$13,771. In view of the negative cash flow problem, the owner of I-5WC has absorbed costs that normally would be included in

rates. I-5WC's filing indicates that system repairs and manpower support are now needed to continue operations and service.

The present rates of I-5WC became effective on September 13, 1999, pursuant to Advice Letter No. 11, which authorized a Consumer Price Index (CPI-U) for 1998. The last general rate increase became effective on November 6, 1996, pursuant to Res. W-4005, which authorized a general rate increase of \$1,102 or 3%, and a rate of return of 13.25%.

## **NOTICE AND PROTESTS**

I-5WC notified its customers of the rate increase by letter dated September 18, 2002. No protests have been received.

The Water Division will be holding an informal public meeting on October 17, 2002, to discuss I-5WC's general rate increase request and to receive customer input.

## **DISCUSSION**

As part of the Order Instituting Investigation (I.90-11-033) into the finance and operational risks of the regulated water utilities, the Commission, in Decision (D.) 92-03-093, adopted new policies in response to the growing economic crisis that threatened the small (Class C and Class D) investor-owned water utility's ability to deliver clean, safe drinking water. Through D.92-03-093, the Commission determined that traditional rate-making policies, which were satisfactory for large water utilities were only sporadically successful in coping with the problems of the smaller Class C and Class D water utilities. Some of the policies adopted included simplified rate filings based on the Consumer Price Index, a new method to recover unanticipated repair costs deemed critical to continued service, an increased range of rate of return, and a number of streamlined procedures to simplify and speed regulatory review in order to encourage small water utilities to seek Commission review of their operations as part of more substantial adjustments in rates.

The Commission's on-going concern regarding the processing time for small water utility's transactions resulted in the creation of a Service Guarantee Plan for Small Water Companies (Plan). The Plan provides an almost immediate simple interim rate increase, usually within 45 days of filing. The interim increase, subject to refund, is based on a cash flow analysis. The analysis determines how much the utility needs to operate and to pay bills, including debt service. This Resolution implements this mechanism for I-5WC.

The Audit and Compliance Branch prepared a cash flow analysis and estimated that the amount of \$12,096, or 27.24%, would be necessary for the utility to meet its cash flow requirements.

In order to respond to the utility's negative cash flow problem, the Water Division recommends the proposed interim rates shown below be granted to I-5WC, subject to refund, pending the final results of the staff investigation needed to set permanent rates. The proposed interim rates are as follows:

Metered Service:	<u>Present</u>	<u>Interim</u> <u>Proposed</u>
Monthly Quantity Rate:		
For all water, per 100 cu.ft. ....	\$ 0.39	\$ 0.496
Monthly Service Charge:		
For 1-inch meter .....	\$ 28.68	\$ 36.49
For 2-inch meter .....	\$ 91.79	\$116.79
For 3-inch meter .....	\$172.10	\$218.98

The monthly bill for a 1-inch meter customer using 75 Ccf (One Ccf is equal to one hundred cubic feet) of water will increase from \$57.93 to \$73.69, resulting in an increase of \$15.76, or 27.21%.

This is an uncontested matter<sup>1</sup> in which the resolution grants an interim rate increase subject to refund, pending determination of permanent rates.

Accordingly, pursuant to P. U. Code 311(g)(2) the otherwise applicable 30-day period for public review and comment is being waived.

## **FINDINGS**

1. The interim rates recommended by the Water Division (Appendix A) are reasonable and should be adopted.
2. The rate increase authorized herein should be subject to refund pending the completion of the staff investigation of I-5WC's general rate increase request.

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<sup>1</sup> No formal protests were received.

3. There are no formal protests received.

**THEREFORE, IT IS ORDERED THAT:**

1. Interstate 5 Utility Company, Inc. (Water) is authorized to file an advice letter adopting the revised Schedule No. 1, Metered Service, attached to this Resolution as Appendix A, and to concurrently cancel its presently effective rate schedule. Its filing shall comply with General Order 96-A. The effective date of the revised schedule shall not be earlier than five days after the date of its filing.
2. The rate increases authorized herein is subject to refund pending final resolution of Interstate 5 Utility Company, Inc.'s (Water) general rate increase request.
3. The Advice Letter and tariff sheets shall be marked to show that they were authorized by Resolution W-4362.
4. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on November 7, 2002; the following Commissioners voting favorably thereon:

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WESLEY M. FRANKLIN  
Executive Director

LORETTA M. LYNCH  
President

HENRY M. DUQUE  
CARL W. WOOD  
GEOFFREY F. BROWN  
MICHAEL R. PEEVEY  
Commissioners



**APPENDIX A**

**Schedule No. 1**

**METERED SERVICE**

**APPLICABILITY**

Applicable to all metered water service.

**TERRITORY**

The commercial and industrial development in the vicinity of the interchange of Interstate 5 and State Route 58, near Buttonwillow, in Kern County.

**RATES**

Monthly Quantity Rates:

	<u>Per Month</u>	
For all water, per 100 cu. ft. ....	\$ 0.496	(I)

Monthly Service Charge:

For	1-inch meter .....	\$ 36.49	(I)
For	2-inch meter .....	\$116.79	
For	3-inch meter .....	\$218.98	(I)

The Service Charge is a readiness-to-serve charge, which is applied to all metered service and to which is added the monthly charge computed at the Quantity Rate.

**SPECIAL CONDITIONS**

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.